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DE RUEHPG #0668/01 2941622
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FM AMEMBASSY PRAGUE
TO RHEHNSC/NSC WASHDC PRIORITY
RUEHC/SECSTATE WASHDC PRIORITY 0768
INFO RUEHZL/EUROPEAN POLITICAL COLLECTIVE PRIORITY
RUEAMDA/MDA WASHINGTON DC PRIORITY
RUEKJCS/SECDEF WASHDC PRIORITY

C O N F I D E N T I A L SECTION 01 OF 03 PRAGUE 000668

SIPDIS

STATE FOR T, EUR/FO, EUR/CE

E.O. 12958: DECL: 10/19/2018

TAGS: [PREL](#) [PGOV](#) [EZ](#)

SUBJECT: SCENESETTER FOR CZECH PRIME MINISTER'S VISIT TO
WASHINGTON

Classified By: AMBASSADOR RICHARD GRABER FOR REASONS 1.4 (B) AND (D).

11. (C) SUMMARY: Czech Prime Minister Topolanek's October 29 White House meeting will come a day after his visit to Afghanistan, where he plans to celebrate with Czech troops the 90th anniversary of his country's founding. This will be Topolanek's second Washington trip this year, and it promises to be a key event for the Czech leader, who is facing a serious domestic political crisis. Having been dealt a sweeping electoral defeat in the October 17-18 regional and senate elections, PM Topolanek is coming to Washington with the goal of demonstrating -- especially to his domestic audiences -- that he is a respected leader on the international scene and a valued partner of the United States. To that end, he will especially seek to highlight during the White House meeting the Czech Republic's achievement of visa-free status, a key goal of successive Czech governments over the past decade. High on Topolanek's agenda will also be missile defense, Russia, energy security, and Czech contributions to global democracy and the war on terror. END SUMMARY.

Domestic Context

12. (C) Nineteen years after the 1989 Velvet Revolution, the Czech Republic today is a prosperous market economy, a stable democracy, and a committed American ally. Accession to the European Union in 2004, like accession to NATO in 1999, has solidified and accelerated the transition away from the country's communist past. The economy today remains relatively strong, with significant investment flows, modern manufacturing base, conservative banks, low unemployment, and moderate but declining inflation. The country has so far escaped the worst of the global financial crisis, although the Prague stock exchange has suffered heavy losses. The crisis has also contributed to a slow down of Czech economic growth, largely by depressing demand within Western Europe for Czech exports. Analysts are now forecasting that Czech real GDP will increase about four percent in 2008 and between two-and-half and three percent in 2009, after three years of over six percent growth.

13. (C) Topolanek arrives in Washington having just suffered a sweeping defeat in the country's regional and senate elections. The poor electoral results have seriously undermined PM Topolanek's chances at reelection as chairman of the ruling Civic Democratic Party (ODS) during the upcoming ODS party congress in December. If he loses the December contest, Topolanek is unlikely to survive as prime minister. At the same time that Topolanek is struggling to shore up his position within his party, he has to keep on track his government's key priorities, among them Missile Defense and preparations for the Czech EU Presidency, which

the Czechs assume in January 2009.

U.S.-Czech Relations

14. (C) Our two countries enjoy excellent relations. The Czechs are active in the war on terror, with troops in Iraq, Afghanistan, and the Balkans. The country is active within NATO and the EU, and generally supportive of U.S. policy goals. This is particularly the case regarding democracy promotion. The Czechs are our strongest partners in Europe on Cuba, and active supporters of the democratic opposition in Cuba. Likewise in Georgia, Belarus, Burma, Iraq and other countries in transition, the Czech government and NGOs work to support peaceful transformation and pass along the lessons learned from the Czechs' own history. Prague has been home to the U.S.-funded Radio Free Europe/Radio Liberty since 1995, and has actively supported broadcasts to countries in Eastern Europe, Central Asia and the Middle East. It was no coincidence that Prague hosted the conference on "Democracy and Security," which President Bush addressed in June 2007.

Visa Waiver

15. (C) PM Topolanek fully appreciates the President's personal commitment to the Visa Waiver Program's expansion. The President's October 17 announcement of the Czech Republic's entry into the Visa Waiver Program was widely covered in the Czech Republic. The choice of November 17, if

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confirmed as the entry date into the Program, would add further symbolism to this moment, since the vast majority of Czechs continue to look with pride on what they achieved during and since the Velvet Revolution on November 17, 1989. During his visit to the United States, PM Topolanek will seek to play up this much-anticipated milestone, which eliminates the one major irritant in our otherwise positive bilateral relationship. While not formally linked, the Czech public has always connected the Visa Waiver Program and Missile Defense, given that these initiatives have advanced roughly in the same time frame.

Missile Defense

16. (C) For PM Topolanek, Missile Defense (MD) is about more than preventing a ballistic missile attack on Europe. He believes that, in addition to the Czech Republic's membership in the EU and NATO, the Czech Republic must forge a robust trans-Atlantic relationship, which includes a partnership with the United States and Poland on European MD. Topolanek, who fully appreciates the importance of U.S. engagement in Europe, views MD as the natural next step in the U.S.-Czech relationship. In the wake of the Russia-Georgia conflict, PM Topolanek also views MD as critical in the context of Russia's assertive policies toward Central Europe and former Soviet republics. However, with up to 65 percent of Czech public opposing MD and his own coalition divided on the issue, Topolanek has taken a great political risk with his forceful pro-MD stance.

17. (C) Much progress has been achieved on MD since the President's last meeting with PM Topolanek on February 28. Both the Ballistic Missile Defense Agreement and the Status of Forces Agreement have been signed and are ready for ratification by the Czech parliament. However, PM Topolanek's current tenuous political position, as well as his less than stable coalition with the smaller Christian Democrats and the Czech Greens, raises new questions about his ability to push through the ratification of the two agreements and of the resolution on stationing U.S. troops on

Czech territory, which is required by the Czech constitution.

A strong message of partnership from his meeting with the President will help PM Topolaneck. Also important to PM Topolaneck will be a strong signal that the United States remains fully committed to European MD and its link with NATO. There is strong support for NATO across the Czech political spectrum, with the exception of the Communists. Helping PM Topolaneck couch MD in the context of the overall trans-Atlantic cooperative security relationship, as well as in the context of the country's responsibilities as an ally, would boost ratification chances.

Czech EU Presidency, Russia and Energy Issues

¶8. (C) The Czechs are increasingly focused on their upcoming EU Presidency during the first half of 2009. The Czech agenda has an overarching theme "Europe Without Borders" and focuses on three priority areas: EU Competitiveness, Energy Security and Sustainability, and External Relations. Within External Relations, the Czechs plan to focus on the Western Balkans, transatlantic relations, and the EU's Eastern Neighborhood Policy. We share the same broad goals with the Czechs; the challenge will be finding a way to help the Czechs forge an EU consensus close to our shared goals. To reaffirm the United States and the EU's strong relations, the Czechs have begun to press for an early visit to Prague by the next U.S. President during their six months at the EU's helm.

¶9. (C) A key challenge for the Czech Presidency will undoubtedly be the EU's policy toward Russia. Overall, the Czechs are and will continue to be a valuable ally on Russia within the EU. However, they are keenly aware that as the incoming EU President, they must temper their government's views on Russia to achieve an EU consensus. The Czechs have been especially frustrated by the fact that bilateral economic relations, particularly in the area of energy security, continue to undermine efforts within the EU to develop a strong united front vis-a-vis Russia. For example, the Czechs support delaying negotiations on the new EU-Russia Partnership and Cooperation Accord (PCA) until Russia fulfills its cease-fire obligations in Georgia. In contrast, the French are moving forward to restart the negotiations.

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¶10. (C) Energy security is also a key focus for PM Topolaneck. The Czechs are especially concerned about the reliability of Russian supplies and Russian efforts to buy up Central European energy infrastructure and assets. The Czech Republic is dependent on Russia for 70 percent of its gas, 65 percent of its oil, and 100 percent of its nuclear fuel. The level of Russian crude oil deliveries to the Czech Republic has declined -- ostensibly for technical reasons -- since the U.S. and Czech Republic signed the Ballistic Missile Defense Agreement in early July. Russian oil deliveries were completely cut off for one week this month. While the Czechs continue to publicly downplay the significance of the ongoing supply disruptions, they are becoming increasingly concerned. Czech energy security goals include progress on a more united and coherent EU energy strategy, support for Nabucco and greater outreach to Caspian energy producers. To this end, the Czechs are planning an EU-Trans-Caspian Summit, tentatively scheduled for May 2009. Despite their support for greater interconnectivity of the EU's gas and electricity markets, the Czech government opposes the European Commission's proposal to unbundle vertically-integrated energy firms. The Czechs have suggested that we can play a useful role by timely support of Czech energy security-related initiatives during their presidency.

Reliable Allies in Missions Abroad

¶11. (C) PM Topolanek and his government strongly believe that successfully completing NATO's mission in Afghanistan, along with granting Membership Action Plan (MAP) to Georgia and Ukraine at December's NATO Ministerial, are key to the Alliance's future. The Czechs remain actively engaged in U.S. and NATO-led coalitions in Iraq and Afghanistan. In March 2008, the Czechs established the first provincial reconstruction team (PRT) in Logar province south-east of Kabul. Along with the approximately 500 troops in Afghanistan, the Czechs have an infantry battalion of around 450 troops permanently deployed in Kosovo. PM Topolanek's government has proposed to increase the total number of Czech troops deployed abroad from approximately 900 this year to just over 1380 in 2009, but the proposal has met with stiff resistance from the country's political opposition. Some of their objections are political in nature, but some are due to recent Czech casualties suffered in Afghanistan. Again, a strong message of appreciation for Czech contributions will be helpful, as will an emphasis on the international community's goals in Afghanistan and on the importance of the mission's success to all members of NATO.

A Strong and Valued Partnership

¶12. (C) Despite its small size and at times unsettled political scene, the Czech Republic has consistently proven to be a reliable and active ally of the United States. The Czechs are appreciative of the positive role the United States has played at key moments of their history. PM Topolanek will undoubtedly highlight the country's 90th anniversary and point to President Woodrow Wilson's support and efforts, which helped bring the Czechoslovak Republic into being on October 28, 1918. The Czechs, in turn, are proud of their contributions to security, democracy, and freedom around the globe since 1989. For PM Topolanek, the entry into the Visa Waiver Program and the planned MD radar in the Czech Republic are a testament to his country's progress and to the strong ties between our countries. The key themes for the President's and other meetings with Topolanek should be: highlighting the country's Visa Waiver Program entry; recognizing Czech contributions and partnership in promoting global democracy, freedom and security; expressing appreciation for Czech willingness to enhance common defense through participation in the MD shield; and setting the stage for close U.S.-EU cooperation under the Czech EU Presidency.

Graber